

Message Text

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PAGE 01 LONDON 17614 01 OF 02 141850Z

46

ACTION EB-07

INFO OCT-01 EUR-12 EA-09 NEA-10 IO-10 ISO-00 AID-05

CIAE-00 FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PRS-01 PA-02 AGR-10

FEAE-00 INT-05 /145 W

----- 015253

R 141838Z NOV 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6577

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMCONSUL BELFAST

AMCONSUL EDINBURGH

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 17614

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, UK

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PAGE 02 LONDON 17614 01 OF 02 141850Z

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING NOV. 14

BEGIN SUMMARY: THE PLETHORA OF STATISTICS RELEASED THIS WEEK PRESENTED A MIXED SET OF INDICATORS. RETAIL PRICE INCREASES CONTINUED TO SHOW SIGNS OF MODERATING AND INDUSTRIAL PRODUCTION SEEMS TO HAVE ENDED ITS DECLINE. WHOLESALE PRICE INCREASES REFLECT THE WEAKNESS OF STERLING WHILE THE CURRENT ACCOUNT DEFICIT SHOWS LITTLE IMPROVEMENT. THE GOVERNMENT IS CONTINUING TO EMPHASIZE THE NEED TO INCREASE INVESTMENT AND REDUCE GOVERNMENT SPENDING. END SUMMARY.

1. RETAIL PRICES. FUELED BY INCREASES IN TELEPHONE, ELECTRICITY AND GAS PRICES, THE RETAIL PRICE INDEX FOR OCTOBER (JANUARY 1974 EQUALS 100) ROSE 1.4 PERCENT TO 142.5 FROM ITS SEPTEMBER LEVEL OF 140.5. THE ANNUAL RATE OF INCREASE DROPPED TO 25.9 PERCENT FROM 26.6 PERCENT ONE MONTH EARLIER. THUS FOR THE SECOND STRAIGHT MONTH THE ANNUAL RATE OF PRICE INCREASES SHOWED A DECLINE FROM THE AUGUST PEAK OF 26.9 PERCENT. MORE SIGNIFICANTLY, THE ANNUALIZED RATE OF INCREASE FOR THE THREE MONTHS THROUGH OCTOBER WAS 11.6 PERCENT COMPARED WITH 29.2 PERCENT FOR THE THREE MONTHS ENDING IN JULY.

2. WHOLESALE PRICES. THE RISE IN THE WHOLESALE PRICE INDEX FOR FINISHED MANUFACTURED GOODS (OUTPUTS) CONTINUED ITS MODERATE RISE IN OCTOBER. HOWEVER THE INDEX OF RAW MATERIALS AND FUELS (INPUTS) ROSE SHARPLY REFLECTING HIGHER OIL PRICES AND THE FALL IN THE VALUE OF STERLING. THE OUTPUT PRICE INDEX (1970 EQUALS 100) STOOD AT 197.4 UP 1.2 PERCENT FROM ITS SEPTEMBER LEVEL OF 195.0. THE INPUT INDEX ROSE BY 3.8 PERCENT TO 252.5 FROM THE SEPTEMBER READING OF 243.0. THE OUTPUT PRICE INDEX ROSE AT AN ANNUAL RATE OF 15.0 PERCENT BETWEEN THE SECOND AND THIRD QUARTERS WHILE THE INPUT INDEX ROSE AT AN ANNUAL RATE OF 24.1 PERCENT OVER THE SAME PERIOD. THE OCTOBER OUTPUT INDEX WAS 21.7 PERCENT ABOVE THE OCTOBER 1974 LEVEL WHILE THE INPUT INDEX WAS UP BY 14.6 PERCENT.

3. INDUSTRIAL PRODUCTION UP SLIGHTLY IN SEPTEMBER. THE SEPTEMBER INDUSTRIAL PRODUCTION INDEX (1970 EQUALS 100) ROSE BY 0.8 PERCENT TO 99.8 FROM ITS AUGUST LEVEL OF 99.0
UNCLASSIFIED

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PAGE 03 LONDON 17614 01 OF 02 141850Z

PERCENT. THE NARROWER INDEX OF MANUFACTURING PRODUCTION WAS UP 0.6 PERCENTAGE POINTS IN SEPTEMBER TO 99.6. SINCE DROPPING BELOW ITS 1970 BASE LAST MAY, THE INDEX HAS FLUCTUATED IN A LIMITED RANGE BETWEEN 99.0 AND 100.1. THE DECLINE IN PRODUCTION BETWEEN THE SECOND AND THIRD QUARTER WAS 0.5 PERCENT. THIS REPRESENTS A SIGNIFICANT CHANGE FROM THE 4 PERCENT DECLINE WHICH OCCURRED BETWEEN FIRST AND SECOND QUARTERS. HOWEVER, THE YEAR-ON-YEAR

COMPARISONS SHOW THAT OVERALL INDUSTRIAL PRODUCTION WAS
7.5 PERCENT LOWER IN SEPTEMBER THAN 12 MONTHS EARLIER
WHILE FOR MANUFACTURING PRODUCTION, THE DECLINE WAS 8.9
PERCENT.

4. U.K. TRADE AND CURRENT ACCOUNT BALANCE IN OCTOBER.
IN OCTOBER, THE U.K. CURRENT ACCOUNT WAS IN DEFICIT BY
96 MILLION POUNDS (S.A.). THE VISIBLE TRADE ACCOUNT WAS
IN DEFICIT BY 206 MILLION POUNDS (F.O.B., S.A.) COMPOSED
OF A DEFICIT IN PETROLEUM AND PETROLEUM RELATED PRODUCTS
OF 286 MILLION POUNDS AND A SURPLUS IN NON-OIL RELATED
TRADE OF 80 MILLION POUNDS. THE INVISIBLE BALANCE (SER-
VICES AND OTHER CURRENT TRANSACTIONS) CONTINUED TO SHOW A
SURPLUS OF 110 MILLION POUNDS (SEE SEPTEL FOR DETAILS).

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PAGE 01 LONDON 17614 02 OF 02 141910Z

46

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SS-15 STR-04 CEA-01 L-03 H-02 PRS-01 PA-02 AGR-10

FEAE-00 INT-05 /145 W

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R 141853Z NOV 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6578

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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UNCLAS SECTION 02 OF 02 LONDON 17614

6. IMPORTS TAKE LARGESHARE OF U.K. CAR MARKET. IMPORT-
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PAGE 02 LONDON 17614 02 OF 02 141910Z

ED CARS TOOK 36.9 PERCENT OF THE U.K. PASSENGER CAR MARKET IN OCTOBER. THE IMPORT PENETRATION OF THE MARKET HAD BEEN REDUCED TO 27.6 PERCENT IN THE PREVIOUS MONTH. OVERALL CAR REGISTRATIONS IN OCTOBER TOTALED 83.6 THOUSAND UNITS. THIS REPRESENTED A 12.6 PERCENT DECLINE FROM THE OCTOBER 1974 TOTAL. BRITISH LEYLAND'S MARKET SHARE FELL FROM 39.0 PERCENT IN SEPTEMBER TO 22.6 PERCENT IN OCTOBER AFTER ITS SUCCESSFUL MARKETING CAMPAIGN LEFT IT WITH SHARPLY DEPLETED INVENTORIES. FOR THE FIRST 10 MONTHS OF 1975 1.06 MILLION CARS WERE REGISTERED IN THE U.K. COMPARED WITH 1.12 MILLION DURING THE CORRESPONDING 1974 PERIOD.

7. EXCHANGE RATE AND GOLD: (SEE PARA.11 BELOW)

(DATES)	11/6	11/12	CHANGE
EXCHANGE RATE	\$2.0690	\$2.0635	DOWN\$0.0055
EFFECTIVE DEPRECIATION			
(PERCENT)	29.3	29.4	WIDENED 0.1
GOLD	\$146.25	\$143.50	DOWN \$2.75

8. FORWARD DISCOUNT ON STERLING:

(DATES)	11/6	11/12	CHANGE
1 MONTH	0.90	1.00	UP 0.10
3 MONTHS	2.50	2.55	UP 0.05
6 MONTHS	4.45	4.30	DOWN 0.15

(ALL FIGURES IN CENTS)

9. EURODOLLAR INTEREST RATES:

(DATES)	11/6	11/12	CHANGE
1 MONTH	5-7/8	5-1/2	DOWN 3/8
3 MONTHS	6-5/8	6-1/2	DOWN 1/8
6 MONTHS	7-3/8	7-3/8	UNCHANGED

10. LOCAL AUTHORITY DEPOSIT RATES:

(DATES)	11/6	11/12	CHANGE
1 MONTH	11-9/32	11-5/16	UP 1/32
3 MONTHS	11-9/16	11-13/32	DOWN 5/32
6 MONTHS	11-23/32	11-9/16	DOWN 5/2

11. NOTE: DATA FOR NOVEMBER 13 NOT AVAILABLE DUE TO
PRESS STRIKE.

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PAGE 03 LONDON 17614 02 OF 02 141910Z

12. THE MINIMUM LENDING RATE WAS REDUCED BY 1/4 PERCENT
TO 11-3/4 AS MF FRIDAY, NOVEMBER 14, L975.

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